

Market Guidance & Strategic Review

21 June 2023

COMMS GROUP LIMITED (ASX: CCG)

<https://commsgroup.limited>

This document has been approved by the Board of Comms Group Ltd

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Business Update

Business Update

Strong New Sales Level Continues

- Continuing strong new sales levels in the business across the Board.
- New sales contracts signed for 9 mths to end Mar-23 of \$7.2m ARR (annual recurring revenue).
- The sales cycle on key Global deals is proving quite long (6+ mths). Notwithstanding, the qualified pipeline has some significant opportunities.

Synergies Delivered

- Majority of targeted synergies in the SME & ICT businesses have been delivered over the last 2 years.
- Circa 40% of the expected \$300k annualised network & COGs savings with the ICT business have been delivered. We expect to get to ~50% delivered by 30 June with the remainder in FY24. The delay in delivering these synergies has resulted in some additional non-recurring COGS in FY23.
- Cross sell opportunity of IT services to wider customer base emerging with some key opportunities live.

Recent Restructure Completed Successfully

- The recent restructure (announced 4 April) has been completed and has resulted in a reduction in opex costs of ~\$2m pa, predominantly in the SME & ICT business units.
- Post the restructure, the business continues to perform well across the board with strong levels of performance in sales and customer service.

Margins and Cost Inputs

- Gross margins are continuing to hold up in the business at or similar to recent historical levels.
- There has not been any major key supplier cost increases impacting the business.

Business Unit Performance

- Expected run rate EBITDA for SME by year end is around \$4.5m to \$5m and for ICT around \$1.8m to \$2.2m, depending upon the level of new sales contracts provisioned and synergies delivered.
- For Global, around \$1m run rate EBITDA as we continue to add additional resources to support key growth prospects.

Recent Vodafone Announcement

New Agreement

- Comms Group announced on 15 June 23 that it has signed a further agreement with Vodafone Business (via Vodafone Procurement Company SARL) to provide a range of advanced unified communications services.
- New agreement is supplemental to agreement for Teams Calling Direct Routing announced 15 March 2022.

Key Services to be Provided

- Core service is the provision of **Microsoft Operator Connect** for Vodafone globally across multiple geographies.
- Advanced automation, self service and provisioning tools to automate and streamline many manual processes.
- State-of-the-art portal including API integration and other platforms delivered – to assist with fast turn-up of services.

Agreement Term

- The new supply agreement is for a minimum commitment period of five years.
- After which the services will be provided on a month-to-month basis and may be terminated by either party with a minimum notice period of 12 months.

Deployment

- The initial deployment of the service has commenced and is expected to be completed by June 23 with user onboarding to commence thereafter.
- To be provided initially to the Enterprise Team UK, Vodafone UK and Germany.
- Comms Group anticipates that other operating entities will come on board with the solution over time.

Financials

- Vodafone Business have committed to a minimum monthly charge of ~A\$30k per month from 1 Oct 2023 in relation to this new agreement. We expect the monthly revenues to grow significantly over time.
- This is in addition to existing revenues of circa \$20k to \$30k pcm which are growing at around 10% month-on-month currently.
- Comms Group has a strong pipeline of opportunities it is assisting Vodafone with.

What is Operator Connect?

Operator Connect (OC) is a comprehensive customer experience and network and technology standards that gives the power back to end customers to research, build and deploy their chosen Microsoft Teams calling solution for PSTN calling/integration.



Buying Journey (Click, Select, Deploy)

Using the **OC marketplace**, existing and prospective customers can **Click** on an approved participating Carrier, **Select** the calling plan that is suited for their business and **Deploy** numbers (inc porting their existing PSTN numbers in countries that support this) and calling capabilities within seconds. **Operators enjoy a simple go-to-market offering that can be sold to customers zero-touch.**



Simplified Setup and Management

Potential for customers to self-manage their Teams tenancy or use a wide range of automated deployment tools to enable Teams calling, manage telephone numbers and configure user profiles.

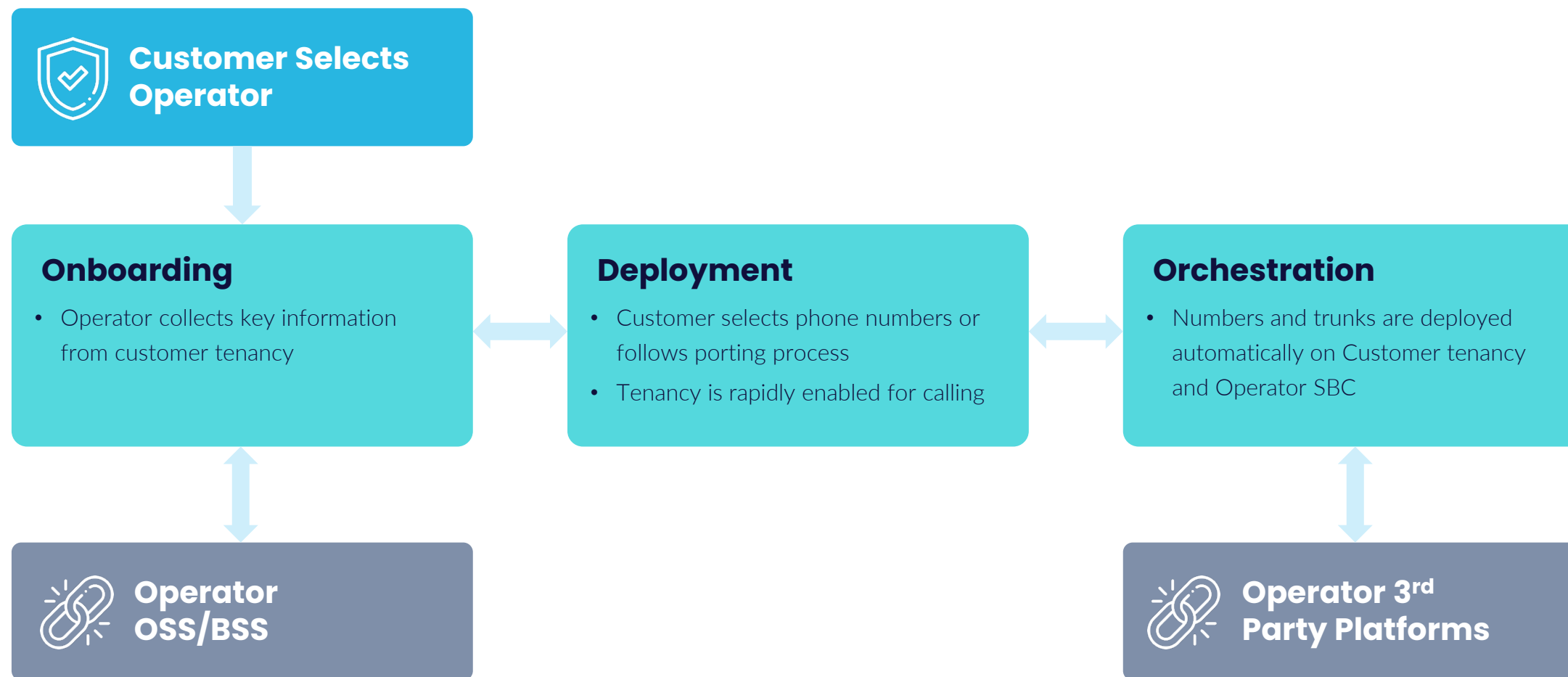


Enhanced Support and Reliability

The OC Carrier and Microsoft form a “team” to provide customers with a seamless support experience and through direct-peering and mandatory SLAs and KPIs, ensure enhanced uptime, availability and high call quality.



Customer Experience



Market Opportunity

How do we position OC against TDR?

Teams Direct Routing (TDR)

- Multi-National
- Complex Call Flows
- Custom Deployment
- 1000+ Seats
- Requires technical knowledge
- Custom Devices, Professional Services

Operator Connect (OC)

- SME & Multi-National
- Standard Call Flows
- Standardised Turnkey Deployment (Hours/Days)
- 1 to 1000+ Seats
- No/Minimal technical knowledge
- Competes with the legacy 'Teams Calling Plans'

280 million

Teams monthly active users

12 million

Teams Phone PSTN users ³

80 million

Teams Phone monthly active users

1 billion

Calls in a single month

Leader

in Gartner's 2022 UCaaS Magic Quadrant report



Strategic Review & Guidance

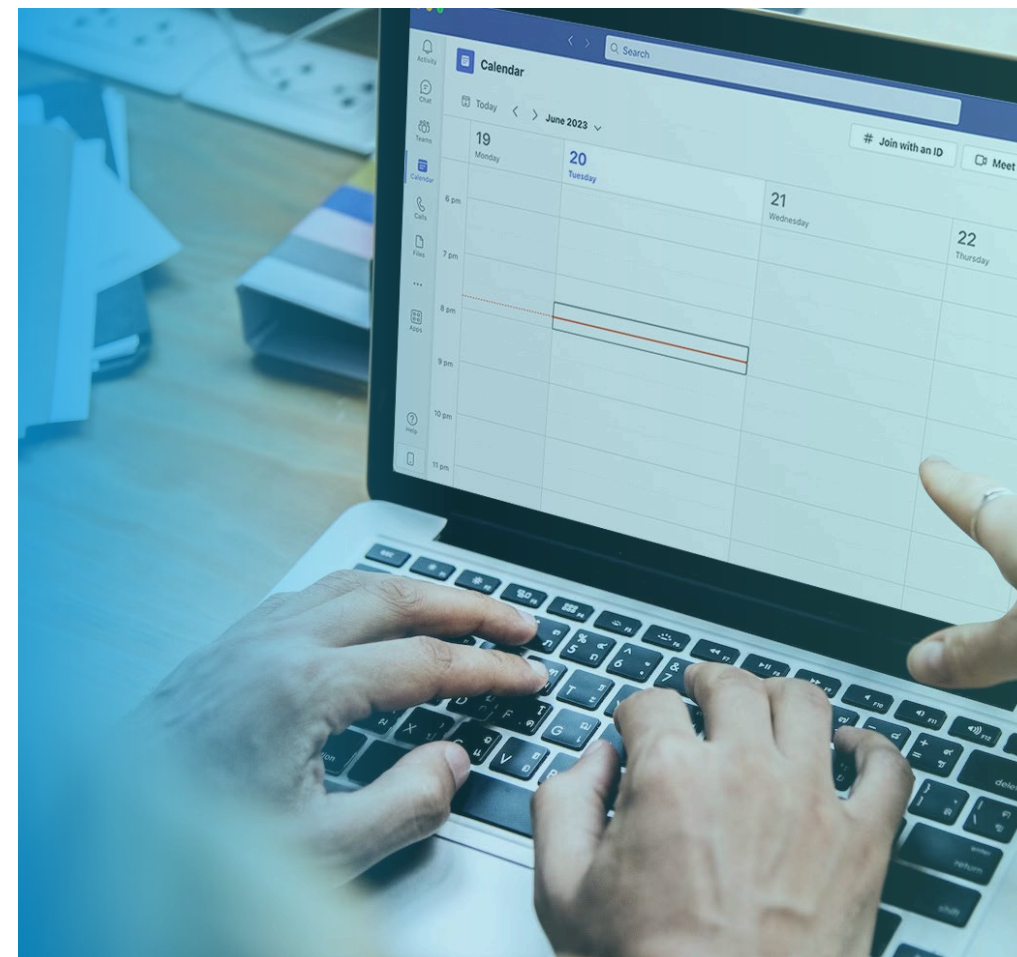
Strategic Review Commenced

The Board is of the view that the current market valuation does not reflect the strong profitability and market position of the SME & ICT businesses or the inherent value and market position of the Global business.

It is the Board's view that the sum of the parts is worth more than the market's current valuation of the Company.

The strategic review will consider all options available to the Board including a potential sale of one or more of Comms Group's businesses in order to maximise shareholder value.

Comms Group has retained Latimer Partners as financial advisers to assist in the review.



Updated Guidance for FY23



FY23 Revenue is expected to exceed
\$50m



Gross margin performance strong with expectation of **xx%** gross margins or around **\$xm** in Gross Profit



FY23 Underlying EBITDA¹ is expected to be in the range
\$4.8m to \$5m



Preliminary guidance for FY24, is for underlying EBITDA of circa
\$7m

¹ Underlying EBITDA excludes net interest, tax, non-cash share LTIP costs, rent, depreciation, amortisation, business acquisition, integration, restructuring and non-recurring costs.



Appendices – Company Overview

Appendix 1:

Introduction to Comms Group Limited

- Comms Group Limited is a global telco service provider and IT services provider, headquartered in Sydney Australia.
- Established in 2008 and listed on the Australian Stock Exchange (ASX:CCG) in 2017.
- We provide services to businesses, Enterprise, Government and international telcos and IT services companies.
- We have 3 key divisions:
 1. **Comms Group Global** (Global telco business, voice specialist & leading Microsoft Teams Calling provider in multiple countries)
 2. **Next Telecom** (domestic Australian telco business, extensive product offering); and
 3. **onPlatinum ICT** (domestic Australian IT managed services provider or MSP)
- Refer www.commsgroup.global and www.commsgroup.limited.

Appendix 2:

Comms Group at-a-glance

A leading B2B provider of cloud-based communications and managed IT services to businesses

**We enhance
business agility
through
innovative
cloud-based
communications
and IT solutions**

Note: Refer glossary for definitions.

**We service our customers via
three key divisions**

next.[®]
telecom
a commsgroup business

Telco service provider to Australian SME & corp. mid-market sectors (<1,000 employees) with the latest products and award winning customer service.

www.nexttelecom.com.au

commsgroup
Global Cloud Communications
Global

Specialist UCaaS and CPaaS provider to Wholesale, Enterprise and Global MNCs (>1,000 employees) with global network reach.

<https://commsgroup.global>

onPlatinum
a commsgroup business

Award-winning IT Managed Service Provider supporting corporate customers' ICT needs, focusing on innovation and developing long-term relationships.

<https://onplatinum.com.au>

- Located across Sydney, Melbourne, Gold Coast, Singapore, Philippines, UK
- Refer <https://commsgroup.limited/managementteam> for management team

Appendix 3:

Products and services

A full telco & ICT product suite and leading position as a global unified communications provider



Voice services

- Replace legacy ISDN/ PABX lines
- Move traditional "in-office" PABX to the cloud
- Advanced cloud business phone/hosted PBX (domestic)
- Global PBX for International offices
- Inbound 13/1300/1800 services
- 4G/5G Mobile & Mobile Broadband



Data services

- High speed fibre-optic based data & internet services
- NBN services inc. NBN Enterprise Ethernet
- Own our own Layer 2 and Layer 3 (ISP) networks
- SD WAN in key capital cities
- Multi-carrier diversity services
- Access to Cloud Services
- Security (Firewall) services
- SD-WAN/Firewall services inc. Velocloud (VMWare) and Fortinet specialisations



Managed IT services

- 24x7 IT Managed services (highly structured and productised offering)
- Provision of ICT hardware
- Security services inc. Fortinet specialisation
- Cloud based services (Azure, VMWare)
- Own our own Cloud IaaS Virtual Server cluster (VMWare)
- Desktop as a service
- Backup as a service
- Managed telephony & data services



Unified Comms Solutions (UCaaS)

- Industry leading Global Microsoft Teams calling (Direct Routing)
- Range of value-added applications
 - Contact Centre
 - Call Recording
 - Call Analytics
 - SMS messaging with integration to MS Teams
- Extensive Asia Pacific offering



Wholesale/Global

- UCaaS & CPaaS services today
- Global MS Teams calling network
- Global hosted PBX
- SIP Trunks - various countries
- Call Termination Services
- Global DID/Telephone numbers provision
- 24x7 Global NOC and support

Appendix 4: Global Network

Comms Group is a leader in Microsoft Teams calling for global businesses.

Extensive international network with **in-depth** Asia Pacific coverage and carrier relationships.

Upgraded & expanded capacity of core Global voice network with 6 SuperPOP locations now in place – Sydney, Singapore, London, Frankfurt, US West & US East

Expanded network capability and capacity in key markets of China, Hong Kong, Vietnam & Thailand

Enhanced capacity of our domestic data (Layer 2), internet (Layer 3, ISP) & cloud hosting platforms in FY22



Glossary

Term	Definition
Cloud Communications	The provision of key communications services from cloud servers based in data centres and over high speed internet connections.
Cloud PBX, Cloud Phone, Hosted PABX	A cloud PBX functions the same as an in office PABX but is hosted in a cloud server accessed via the internet. This is becoming the preferred option for providers and customers today. Comms Group operates a global Cloud Phone network.
Corporate mid-market	For Comms Group, this is larger organisations with typically 500+ employees and monthly spend (MRR) of typically > \$5,000.
CPaaS	Communications Platform as a Service is a cloud-based platform that enables developers to add real-time communications features to their own applications without needing to build backend infrastructure and interfaces. Comms Group provides call termination (SIP Trunks), telephone numbers and management across multiple geographies.
CTS	Call Termination Services – provision of a service by wholesale service providers to terminate voice calls in different markets or countries and on to different networks such as mobile and fixed voice networks.
Data Service	A broadband service that delivers voice, video and data over a private network or the Internet. NBN and fibre optic services are the most common forms of data services in the SME and corporate mid-market. Comms Group operates a domestic Layer 2 (data) and Layer 3 (internet) network with key Points of Presence (PoPs) in Sydney, Melbourne & Brisbane and aggregates a range of layer 2 wholesale access services.
Enterprise	For Comms Group, this is organisations with typically > 1,000 employees and operating multi-nationally as an MNC.
Fibre (optic)	Use of fibre optic networks to carry digital signals (data) via light transmission at very high speeds, transforming the telco and cloud services market globally.
ICT	Information Communication Technology is an umbrella term that covers the wide range of IT services and Communications services provided to businesses.
MNC	Multi-national corporate whereby the corporation has offices, facilities and assets in multiple countries.
MRR	Monthly recurring revenue is the monthly recurring annuity style revenue received from customers.
NBN	Australia's national broadband network, which is a wholesale open access data network, replacing older copper and cable broadband with optic fibre networks, high speed switches and other technologies.
PABX	A typically in-house telephone switching system that interconnects telephone extensions to each other as well as the outside telephone network known as the public switched telephone network (PSTN).
SD-WAN	A software-defined wide-area network (SD-WAN) uses software-defined network technology, such as communicating over the Internet with encryption between an organisation's locations. Allow companies to build higher-performance WANs using lower-cost and commercially available Internet access. SD-WAN is replacing traditional data networks such as MPLS.
SIP	Session Initiation Protocol – being the standard IP telephony signalling protocol used to manage voice calls over the internet.
SME	For Comms Group, this is small to medium enterprise typically up to 500 employees.
Unified Communications (UCaaS)	A communications delivery model based on the cloud, providing key communications services including telephony (voice), video, messaging, chat, collaboration, document storage supporting teamwork, agility, mobility and work from anywhere. Comms Group is a leading provider of MS Teams calling with a global network and offering.

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The material in this presentation is a summary of Comms Group Ltd's (CCG) activities and results, and is current at the date of preparation, **21 June 2023**. Further details are provided in the Company's full and half year accounts and results announcements released to the ASX.

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CCG's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

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